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received
8-22-97 VHB

Department of the Interior
Minerals Management Service
Mail Stop 4700
381 Elden Street
Herndon, Virginia 20170-4817
Attention: Rules Processing Team

Dear Sir or Madam:

The following comments are in response to the Notice of proposed rulemaking in respect of Oil Spill Financial Responsibility for Offshore Facilities as appeared in Vol. 62, No. 57 of the Federal Register on March 25, 1997.

J. H. Blades & Co., Inc. is a wholesale insurance broker that specializes in providing comprehensive coverage and related services for the oil & gas industry with an emphasis on lease operators. In this role and, more specifically, in our role as a London "coverholder", Blades, on behalf of our clients with offshore operations, has for several years been primarily responsible for coordinating the collection of necessary documentation (signed original CG-5210s as applicable, leaseholder letters, signed original insurance certificates, etc.) and its subsequent forwarding on to Herndon for processing and eventual certification. It is from this background that we give the following comments:

1. Unless we are mistaken, **Subpart D - Requirements for Submitting OSFR Information** does not address when, at the beginning of each coverage period, a Designated Applicant must first have their initial OSFR demonstration information in to the MMS. If, however, a Designated Applicant needs to amend their initial information, § 253.42 (a) and (b) are clear in stating that this information is to be received by the MMS at least 30 days prior to the effective date of the amendment. It is logical to conclude therefrom that the MMS is also looking to have all initial demonstrations in hand at least 30 days before the beginning of each coverage period.

It is our opinion that such a deadline regime will be **completely unworkable**. We are convinced that this will be the case for two main reasons:

- A. It is virtually unheard of for an insurance placement to be complete 30 days prior to "inception" in the first place. Even were that to become the norm (which will never happen), getting all underwriters' signatures on one original document

would take *at least* a month to achieve (once the insurance program had been finalized which happens, more often than not, on or soon after "inception").

- B. The regime of requiring all responsible parties to complete a MMS-1017 naming the designated applicant for each and every COF will also take *at least* a month for the designated applicant to coordinate. We acknowledge that designated applicants can be working on this issue prior to their insurance attaching and that an executed MMS-1017 is (as drafted) valid until canceled but would respectfully remind you that this is a new requirement and will, in more cases than not, make designated applicants (who will generally always be the operator of the facility, lease, etc. in question) keep track of an enormous amount of new and varied (as it is highly likely that the make-up of responsible parties - investors/non-operators - will be different for each COF) paper flow for each COF. Consider that the initial demonstration of a Designated Applicant needing to certify 25 leases on each of which there are 10 different responsible parties would consist more than 250 different MMS-1017s. This is not to say that designated applicants are not capable of managing this information, but rather to highlight the issue in the context of an initial demonstration being due prior to its effective date.

It is our sincere hope that the MMS adopts final regulations that allow designated applicants a 90-day grace period during which a fax "binder" (showing at least one underwriter's signature on an MMS-1019) will satisfy the MMS' requirements without their taking any punitive actions. This system has worked extremely well over the past few years.

(Please also note that MMS-1017 needs to be amended so that each responsible party can indicate:

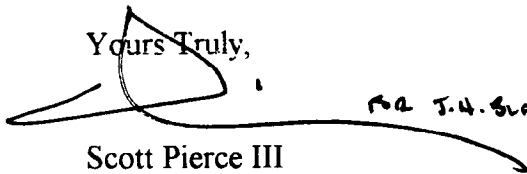
- a. The specific COF to which that particular MMS-1017 relates.
 - b. Their working/ownership interest in the specific COF.)
- 2. It is our sincere hope that the MMS adopts final regulations that allow existing OCSLA certification documentation to remain in place ("grandfathered") until the sooner of:
 - A. The date such existing certification is canceled;
 - B. The date such existing certification expires;
 - C. 12 months from the day the final regulations go into effect (this would only apply in cases where a company currently has certification in place for more than a year).

It is our opinion that the MMS would be putting an undue burden on designated applicants were they to make them complete a demonstration under the new regulations without regard to when they most recently had satisfied the MMS in this regard under the regulations currently in effect.

We hope the points raised above are cogent and find purchase with you.

We would be more than happy to discuss any of these issues with you.

Yours Truly,

A handwritten signature in black ink, appearing to read "Scott Pierce III", is written over a horizontal line.

for J.H. Blades & Co., Inc.

Scott Pierce III
Vice President